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The Director of Central Intelligence

Washington, D.C. 20505

Angola
26 May 87

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National Intelligence Council

NIC #02240-87
26 May 1987

MEMORANDUM FOR: The Honorable Chester A. Crocker
Assistant Secretary of State for African Affairs

SUBJECT: Interagency Group-Requested Paper on the Impact of
Sanctions on Angola

1. The Interagency Group on Africa, under your chairmanship, requested through Ambassador Abramowitz that my office coordinate an interagency paper which would examine the impacts of current and prospective additional US economic penalties on Angola, with additional questions on European and UNITA behavior. In discussions between Ambassador Abramowitz and Major General Horton, Chairman of the National Intelligence Council, it was agreed that the most expeditious way to respond to this request would be in the form of a joint CIA-INR paper coordinated by the NIO for Africa.

2. The attached paper addresses the questions posed by the Interagency Group. It was prepared by CIA's Directorate of Intelligence and coordinated with State's Bureau of Intelligence and Research. It is being sent to you as Chairman of the IG for use by the Interagency Group; no other disseminations have been made. Please coordinate any dissemination to other Interagency Group members with INR.

for
Frederick L. Wetters
National Intelligence Officer for Africa

Attachment: As stated

cc: Amb. Abramowitz, Assistant Secretary
for Intelligence and Research
Mr. Anthony Dalsimer, Director, African Affairs, INR

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26 May 87

THE IMPACT OF UNITED STATES ECONOMIC SANCTIONS ON ANGOLA

Summary

Historically, the impact of international economic sanctions has been modest, and current and prospective additional US sanctions on Angola will, in our estimation, correspond to this historical pattern. New European loans and investment reportedly have offset the impact of US commercial restrictions against Angola, and we have no reporting that US companies have changed any investment decisions in Angola because of the restrictions on US company tax exemptions. The decline in world oil prices in early 1986 reduced Luanda's ability to pay for Soviet military equipment and Cuban troops and technicians, but we do not believe that a further decline in Angola's ability to make hard currency payments would induce Cuba to withdraw its forces or the Soviet Union to cease its support. The Angolan government reportedly has been concerned with possible additional US sanctions since US legislation prohibiting official support of the Angolan rebels expired in late 1985, but in the event of a total US trade embargo, Angola could shift its oil sales to Europe, South America, and possibly the Far East and thus move quickly to regain markets at little or no discount from prices it could obtain in the US market. Moreover, because all of Angolan oil exports come from offshore wells, the vast bulk of Angolan production appears to be beyond the reach of UNITA attack for the next year.

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